No. 82-1789

IN THE

# Supreme Court of the United States

OCTOBER TERM, 1982

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THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,
*Petitioner,*

v.

GIBRALTAR FINANCIAL CORPORATION OF CALIFORNIA, and GIBRALTAR SAVINGS & LOAN ASSOCIATION,
*Respondents.*

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**On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit**

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## PETITIONER'S REPLY BRIEF

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Note: In accordance with Rule 28.1 of the Rules of Supreme Court, the parent companies, subsidiaries and affiliates of petitioner are set forth in Appendix A at 1a to the Petition for Writ of Certiorari.

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### I.

Respondents' opposition to this petition argues that the decision below should not be reviewed for two reasons: First, they claim there is no conflict in the circuits. Second, they assert that a reversal would not change the result below. Neither argument is sufficient to defeat the imperatives of this petition.

The dispositive answer to respondents' first argument is that the Ninth Circuit's opinion itself recognizes the conflict existing between its interpretation of the incon-

testability provisions of the Lanham Act, 15 U.S.C. § 1115(b) (1976), and that of the Seventh Circuit in *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366 (7th Cir.), *cert. denied*, 429 U.S. 830 (1976). (Pet. App. at 7a-8a, n.2)[1] The opinion states: "This court considers incontestability to be a defensive provision only. It helps protect the registrant's mark from cancellation but is of no offensive use." (*Id.* at 7a-8a) The panel below acknowledged the conflict in circuit court decisions as follows: "Other courts [apart from the Ninth Circuit] make no offensive-defensive distinction, allowing incontestability to be used against an alleged infringer," citing *Union Carbide Corp. v. Ever-Ready, Inc., supra*, at 371-77. (*Id.* at n.2).

The Ninth Circuit then specifically declined to follow the Seventh Circuit's *Union Carbide* decision, choosing to adhere to its own earlier precedent in *Tillamook County Creamery Association v. Tillamook Cheese & Dairy Association*, 345 F.2d 158 (9th Cir.), *cert. denied*, 382 U.S. 903 (1965), even though every other court which has considered the issue has rejected the *Tillamook* position and has concluded that "the better reasoned view" is that expressed in *Union Carbide*.[2] (*Id.*)

Briefly stated, the decision below raises a clear and important conflict in the circuits as to whether 15 U.S.C. § 1115(b) forecloses all defenses except those specifically enumerated. Respondents' claim that there is no conflict because *Union Carbide* dealt with the assertion of an "extra-statutory *legal* defense," as opposed to an "extra-statutory *equitable* defense" such as laches, ignores the plain meaning of the statute as well as Congress's intent. Both formed the basis for the holding in

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[1] As used throughout this brief, Pet. App. shall mean the Appendix to the Petition for Writ of Certiorari.

[2] *Salton, Inc. v. Cornwall Corp.*, 477 F. Supp. 975, 988 (D.N.J. 1979); *See also Miss Universe, Inc. v. Miss Teen U.S.A., Inc.*, 209 U.S.P.Q. 698, 705 n.4 (N.D. Ga. 1980).

*Union Carbide*: that the owner of incontestable trademark rights is entitled to the exclusive use of its registered mark subject only to the seven enumerated defenses.[3] The fact that an extra-statutory defense may be considered "legal" or "equitable" is irrelevant, because Section 1115(b) specifically excludes *any* defense or defect not listed therein. The enumerated defenses set forth in Sections 1115(b)(4), (b)(5) and (b)(6) affect enforceability of the mark while having no impact whatsoever on its validity. Therefore, Section 1115(b) is all inclusive and addresses the enforceability of an incontestable mark as well as its validity.

Excluding equitable defenses against incontestable trademark rights gives full force and effect to the plain meaning of Sections 1115(a), 1115(b) and 1116. Section 1115(a) specifically allows "any legal or equitable defense or defect" to be asserted against a registered mark which has not become incontestable. Section 1115(b) significantly omits this key language and provides that an incontestable registration is conclusive evidence of the registrant's right to use, subject only to seven enumerated defenses. Thus, there is no statutory basis for allowing equitable defenses to be raised against an incontestable mark under Section 1115(b). Exclusion of equitable defenses other than those enumerated in Section 1115(b) does not unjustly reward a trademark owner who "sleeps on its rights" because Section 1116 empowers the courts to consider equitable principles in awarding relief.

## II.

Respondents' opposition does not deny that this petition presents a significant question of trademark law. Respondents claim, however, that even if this Court were

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[3] The Seventh Circuit's holding in *Union Carbide* forecloses the availability of equitable defenses not enumerated in Section 1115(b). *United States Jaycees v. Chicago Junior Association of Commerce & Industry*, 505 F. Supp. 998, 999-1000 (N.D. Ill. 1981).

to grant certiorari and hold that laches is not a proper defense, the result in the present case would not be changed because the decision below held there was no infringement. Petitioner vigorously disagrees.[4]

The Court of Appeals reversed the trial court's exclusion of certain survey evidence offered by plaintiff to establish a likelihood of source confusion, *viz.*, that a significant portion of the public upon viewing defendant's Rock of Gibraltar design mark and its name mistakenly believe that plaintiff is the source of defendants' services or is somehow connected with or sponsors them. The Ninth Circuit did not, however, reevaluate the infringement issue in light of the admissibility of the survey evidence establishing source confusion. Instead, it confined its treatment of the survey to its probative value of showing a lack of confusion between defendants' and plaintiff's *services*.

On remand, it will be appropriate for the Court of Appeals to consider the survey evidence as establishing a likelihood of *source* confusion, the touchstone of a trademark infringement claim. As this Court has frequently noted, when the court below has not clearly expressed its views on a controlling question, it is proper for the Court to remand the case rather than consider the unresolved issue. *See, e.g., Burns v. Alcala*, 420 U.S. 575, 587 (1975), *Gelbard v. United States*, 408 U.S. 41, 61 n.22 (1972); and *NLRB v. Local 825, International Union of Operating Engineers*, 400 U.S. 297, 306 (1971). Accordingly, respondents' second objection is easily overcome.

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[4] The opinion below appears to discuss competition in the context of the court's concern over laches and the quantum of evidence required to establish a progressive encroachment exception to laches. (Pet. App. 12a-13a.) The language used is ambiguous and subject to misinterpretation. A reversal by this Court on the issue of laches, and a remand to the Ninth Circuit Court of Appeals will afford it the opportunity to consider fully the evidence on infringement.

## CONCLUSION

This case presents a pure legal question that is appropriate for review by this Court. The conflict in the circuits is clear. Interpretation of 15 U.S.C. § 1115(b) (1976) is precisely the type of question that the Court sits to resolve. The petition for a writ of certiorari should be granted.

Respectfully submitted,

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